

HOUSE BILL REPORT

HB 2954

As Reported by House Committee On:
Education

Title: An act relating to authorizing certain school districts and educational service districts to designate a district treasurer.

Brief Description: Authorizing certain school districts and educational service districts to designate a district treasurer.

Sponsors: Representatives Hunter, Priest, Jarrett and Anderson.

Brief History:

Committee Activity:

Education: 1/31/08, 2/5/08 [DPS].

Brief Summary of Substitute Bill

- Authorizes boards of Educational Service Districts (ESDs) and school districts with 10,000 or more students and in counties with one million or more people to designate a District Treasurer to act with the same powers and under the same restrictions as the County Treasurer acting as ex officio treasurer for the district.
- Allows a District Treasurer to be a school district, an ESD, or another person with experience in financial matters.
- Authorizes an ESD or school district acting as a District Treasurer to adopt a policy to pay financial obligations by warrant or check or to indemnify its employees when they are lawfully carrying out the duties of treasurer.

HOUSE COMMITTEE ON EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Quall, Chair; Barlow, Vice Chair; Priest, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; Haigh, Liias, Roach and Sullivan.

Minority Report: Do not pass. Signed by 1 member: Representative Santos.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Barbara McLain (786-7383).

Background:

With limited exceptions, the County Treasurer serves as the ex officio treasurer for all special purpose districts in the county, including school districts and Educational Service Districts (ESDs). The duties of a treasurer include receiving and depositing all funds, issuing and paying warrants and checks, making investments, keeping records of all withdrawals and deposits, and issuing statements. Essentially, the County Treasurer is the bank for the districts.

County Treasurers are authorized to make investment decisions for funds under their management within options specified by law. The level of services available from the County Treasurer and the charges for those services vary by county. County Treasurers operate in different ways and have different amounts of funds to manage. Under current law, funds that are not immediately required by a district for expenditure or investment are invested by the County Treasurer and the earnings deposited in the General Fund of the county. Some counties operate investment pools for multiple special purpose districts and are authorized to charge for the actual expense of administering the pool. Another statute provides for a transaction fee to be paid to the County Treasurer based on investment earnings.

Some special purpose districts including, public utility districts and large port districts, are authorized to designate some other person with experience in financial matters to serve as treasurer for the district. The treasurer must be bonded to protect the district against loss. These districts are expressly authorized to adopt a policy to pay financial obligations by warrant or check as long as the fund is solvent at the time the check is issued.

There are 28 school districts with enrollment of 10,000 or more students. Of these, 10 school districts are located in a county with a population of one million or more. There are nine ESDs.

Summary of Substitute Bill:

The board of directors of any school district with enrollment of 10,000 or more full-time equivalent students and located in a county with a population of one million or more is authorized to designate a District Treasurer. The District Treasurer acts with the same powers and under the same restrictions under current law as the County Treasurer acting as ex officio treasurer for the district.

A District Treasurer can be:

- the school district;
- an ESD agreeing to serve as the District Treasurer on behalf of the school district;
- some other person having experience in financial and fiscal matters; or
- another school district through an interlocal agreement.

A District Treasurer must be bonded in an amount and under terms that the board of directors finds will protect the district against loss, but for not less than \$25,000. The school board of a district acting as its own District Treasurer is authorized to adopt a policy to pay financial obligations by warrant or check as long as the fund is solvent at the time the check is issued.

Each ESD board of directors is authorized to act as its own District Treasurer; designate some other person with experience in financial matters to serve as the ESD District Treasurer; or by mutual agreement, act as a District Treasurer on behalf of an eligible school district. An ESD District Treasurer must be bonded in an amount and under terms that the ESD board finds will protect the ESD or school district against loss, but for not less than \$25,000. An ESD acting as its own District Treasurer or on behalf of a school district is authorized to adopt a policy to pay financial obligations by warrant or check as long as the fund is solvent at the time the check is issued.

District Treasurers are held harmless for loss of investments or default on the part of a public depository when the investments are lawfully made. School boards and ESD boards of directors are authorized to adopt a policy to indemnify their employees who are lawfully performing the duties of a District Treasurer.

Changes are made throughout the statutes pertaining to school districts and ESDs to include reference to District Treasurers.

Substitute Bill Compared to Original Bill:

It is clarified that the powers of a District Treasurer are the same as a County Treasurer acting as ex officio treasurer for a school district or ESD. Provisions are clarified regarding ESDs acting as their own District Treasurer or on behalf of a school district or districts. District Treasurers are held harmless for investment losses when the investments are made lawfully. Board of school districts and ESDs may adopt a policy to indemnify their employees who are lawfully performing the duties of a District Treasurer.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) School districts need to be allowed to manage their finances more efficiently. Districts in King County pay 15 basis points to the County Treasurer for acting as their bank. No individual would agree to these terms for their personal banking. The county's fee structure makes no sense compared to the services received. The State Treasurer only charges three basis points. Cities and towns are allowed to be their own treasurer, regardless of size. It is probably prudent for very small districts to rely on the County Treasurer, but large school

districts have sophisticated and highly trained staff who can manage their resources and potentially save tens of thousands of dollars. Perhaps 10 to 15 years ago, districts would not have been able to do this themselves. But technology allows for much easier fund management. The set of permitted investment vehicles remains the same.

(Opposed) King County has been meeting with the school districts regarding the fee structure for treasurer services. This is a contractual issue that should be negotiated among the parties and not the subject of legislation. The bill would require a school district to re-create a financial management structure that already exists and therefore duplicate costs. Taxpayers are concerned about efficiency and accountability. The County Treasurer serves as an important check and balance for fiduciary responsibilities. Other counties ask that King County negotiate fairly with the school districts. The bill clearly does not understand the role of the treasurer in county government, and could require school districts to collect their own property taxes. County Treasurers provide a high quality of banking services for their customers.

Persons Testifying: (In support) Representative Hunter, prime sponsor; Charlie Brown, School Investment Coalition; and Jake Kuper, Issaquah School District.

(Opposed) Phil Sanders, King County Finance and Business Operations; Barbara Stephenson, Kitsap County Treasurer; and Doug Lasher, Clark County Treasurer.

Persons Signed In To Testify But Not Testifying: None.